

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



**FILED**

09-27-10

04:59 PM

Order Instituting Rulemaking to  
Continue Implementation and  
Administration of California Renewables  
Portfolio Standard Program.

Rulemaking 08-08-009  
(Filed August 21, 2008)

**COMMENTS OF SUSTAINABLE CONSERVATION  
ON PROPOSED DECISION ADOPTING THE  
RENEWABLE AUCTION MECHANISM**

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FOR Sustainable Conservation

September 27, 2010

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## I. INTRODUCTION

In accordance with Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), Sustainable Conservation submits these opening comments on the Proposed Decision adopting the Renewable Auction Mechanism (“RAM”) , issued by Administrative Law Judge Burton W. Mattson on August 24, 2010, (“Proposed Decision”) and the Further Amended Scoping Memo and Ruling of Assigned Commissioner, issued by Commission President, Michael R. Peevey on August 24, 2010 (“Further Amended Scoping Memo”).

Our primary recommendation is for the Commission to immediately implement SB 32. Senate Bill 32 has potential to open up agriculture’s significant capacity to generate renewable energy. Our additional specific recommendations include:

- ❖ The Commission must recognize that customer generators have the potential to generate renewable electricity if conditions are right (very few currently avail themselves of the opportunity). Under the current feed-in tariff, price is not sufficient to attract many new projects from farmers.
- ❖ The Commission must fix the interconnection problems with the IOUs, which are currently a barrier to new facilities. Specific issues and ideas are provided below.
- ❖ If the Commission does adopt the RAM, it should not be targeted to smaller facilities (less than 3.0 MW). Should the Commission adopt the RAM and apply it to small facilities there must be a carve-out for farmers that offers them price certainty and clear, quick interconnection.

## II. THE COMMISSION SHOULD IMMEDIATELY IMPLEMENT SB 32 CONSISTENT WITH THE INTENT OF THE LEGISLATURE, AND PROCEED INDEPENDENTLY WITH IMPLEMENTATION OF THE RENEWABLE AUCTION MECHANISM AT A PACE DEEMED APPROPRIATE BY THE COMMISSION

The Proposed Decision states at the outset:

On October 11, 2009, the Governor signed SB [Senate Bill] 32 (Stats. 2009, ch. 328), amending § 399.20 *effective January 1, 2010*. Among other things, the new law requires a tariff for the purchase by each electrical corporation of electricity up to 3 MW from any eligible facility (removing the retail customer provision) up to a combined statewide total of 750 MW (including approximately 250 MW for local publicly-owned electric utilities, also known as municipal utilities) at a price equal to an adjusted MPR. We will turn to implementation of SB 32, along with final implementation of AB 1969, after we address the new procurement protocol adopted here.” [Emphasis added] (Proposed Decision, p. 5)

The *Further Amended Scoping Memo* ISSUED August 24, 2010 states that it was issued to “avoid any confusion regarding whether or not RAM is an issue scoped for this proceeding.” It then makes reference to Attachment A to the *Amended Scoping Memo* Issued on June 5, 2008,<sup>1</sup> and classifies the RAM as one of the “catch alls” that was anticipated in the 2008 *Amended Scoping Memo* under the category “anything else the Commission should consider.” (Attachment A, Section 2.7, p. A-5, and Attachment A, Section 5, p. A-7) Sustainable Conservation recognizes that there may be instances where the Renewable Auction Mechanism (“RAM”) has application; however, in this instance we respectfully submit the Proposed Decision has its priorities exactly backwards.

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<sup>1</sup> The Summary of the Amended Scoping Memo States: “Decision (D.) 07-07-027 adopts tariffs and standard contracts for the sale to electrical corporations of electricity generated by water, wastewater and other customers using eligible renewable resource facilities. It also provides for further study of certain issues considering the recommendations of respondents and parties. (D.07-07-027, p.50) This Amended Scoping Memo and Ruling establishes the scope and schedule for this additional work.” (*Amended Scoping Memo*, p. 1).

**A. *The Legislature Has Directed Immediate Implementation of SB 32***

The Proposed Decision states:

“Existing FIT—the statutory MPR-based fixed price tariff for 250 MW of water/wastewater retail customers—applies to projects independently of the RAM.<sup>252</sup> We will soon update the existing FIT to address final implementation issues scoped in June 2008, along with provisions of SB 32. This will include, for example, treatment of excess sales to program capacity limits, third party ownership, an updated price, an updated MW allocation (from 250 MW for water/wastewater customers of electrical corporations to 750 MW for all customers of electrical corporations and local publicly owned electric utilities), and other items as appropriate.” (Proposed Decision, p. 147)

That statement, very simply, is just not good enough to meet the intent of the Legislature in adopting SB 32. The Commission should be mindful that the Legislature recognizes the value that very small, renewable distributed generation projects bring to California, and the challenges these projects have faced to date. The intent of the Legislature to address these problems head-on in SB 32 is clear. We highlight key elements of the intent language from SB 32 below.

SECTION 1. The Legislature finds and declares all of the following:

(b) Some tariff structures and regulatory structures are presenting a barrier to meeting the requirements and goals of the California Renewables Portfolio Standard Program (Section 387 of, and Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1 of Division 1 of, the Public Utilities Code).

(c) Small projects of less than three megawatts that are otherwise eligible renewable energy resources may face difficulties in participating in competitive solicitations under the renewables portfolio standard program.

(e) A tariff for electricity generated by renewable technologies should recognize the environmental attributes of the renewable technology, the characteristics that contribute to peak electricity demand reduction, reduced transmission congestion, avoided transmission and distribution improvements, and in a manner that accelerates the deployment of renewable energy resources.

(f) It is the policy of this state and the intent of the Legislature to encourage the generation of electricity from eligible renewable energy resources strategically

located and interconnected to the electrical transmission and distribution grid in a manner that optimizes the deliverability of electricity generated at the facility to load centers.

**B. *SB 32 Addresses Some of the Most Intractable Challenges in the Current Feed-I Tariff Program***

Nearly a year ago – October 11, 2009 – the Governor signed Senate Bill 32, which went into effect on January 1, 2010. To date, the extent of the Commission’s implementation of SB 32 has been to refer to the statute<sup>2</sup> in the RAM Proposed Decision. This is a disservice to California’s goals of bringing more renewable energy on line in the near future. The current feed-in tariff contains flaws that have hamstrung greater deployment of small, renewable distributed generation during the three years it has been in effect. SB 32 contains provisions that could, if properly implemented, correct at least some of these errors. The Commission should move with utmost haste to implement SB 32. In particular, SB 32 improves the current requirements related to how energy is priced in the feed-in tariff and how interconnection occurs.

**1. Pricing**

SB 32 modifies Section 399.20 of the Public Utilities Code to require utilities to provide a tariff that offers 10-, 15-, and 20-year contracts to eligible renewable generation systems that are 3 MW or smaller. The market price under this tariff, as determined by the Commission, must include current and anticipated environmental compliance costs, including, but not limited to, mitigation of greenhouse gas emissions and compliance with air pollution offsets associated with new generating facilities. This is a vast improvement over the current pricing in the feed-in tariff, which dictates use of the market price referent, which is based on the avoided cost of a new combined cycle natural gas plant.

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<sup>2</sup> Pub. Util. Code § 399.20, added by Assembly Bill (AB) 1969 (Stats. 2006, ch. 731) effective January 1, 2007.

Although, as noted in the introduction to these comments, Sustainable Conservation takes no position on the general merits or details of the new program for larger renewable projects, it is disconcerting that the Commission would indefinitely defer implementation of SB 32 despite a recently released California Energy Commission (“CEC”) report that recommends a standard price based on the generation costs of specific technologies, exemplified by the successful European models.<sup>3</sup> The report states: “The policy design characteristics that are important to capital providers are simplicity and stability. In general, the lower the risk profile of project the lower the required rate of return, so reducing risk is important. Also of value to the financing market is a simple and transparent incentive structure...A known risk can be reduced or priced for, but unknown risks, increased by a lack of long-term policy or structure clarity, can be a barrier to financing.”<sup>4</sup> Unfortunately, the RAM appears to be neither simple nor transparent.

Sustainable Conservation also notes that the Federal Energy Regulatory Commission (“FERC”) recently issued an order speaking to the issue of wholesale pricing and linking it to avoided cost.<sup>5</sup> This ruling, while presenting a challenge, also presents an opportunity. We believe it is possible to develop a tariff that complies with the FERC decision while providing renewable generators a higher amount of total compensation than is afforded solely by avoided cost using natural gas as the benchmark.

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<sup>3</sup> Kema, Incorporated for California Energy Commission, *Feed-in Tariff Designs for California: Implications for Project Finance, Competitive Renewable Energy Zones, and Data Requirements*, August, 2010, CEC-300-2010-006.

<sup>4</sup> *Ibid.*, p. 1.

<sup>5</sup> Federal Regulatory Energy Commission, *Order On Petitions For Declaratory Order*, Docket Nos. EL10-64-00, EL10-66-000, July 15, 2010.

## **2. Interconnection**

Under SB 32, Public Utilities Code § 399.20(e) requires investor-owned utilities to “...provide expedited interconnection procedures to an electric generation facility located on a distribution circuit that generates electricity at a time and in a manner so as to offset the peak demand on the distribution circuit...The commission shall consider and may establish a value for an electric generation facility located on a distribution circuit that generates electricity at a time and in a manner so as to offset the peak demand on the distribution circuit.” This new requirement is of particular interest to farmers, who have the ability to install biomass generators that can operate as baseload power, and be scheduled to offset peak demand.

Under the feed-in tariff that is still in effect (AB 1969), interconnection has proven to be a major barrier that the Commission could address directly by implementing SB 32.<sup>6</sup> Farmers trying to interconnect under the current feed-in tariff are experiencing significant delays – in some instances up to three years – and substantial costs that continue to move upward during the delay, often running into hundreds of thousands of dollars for generating systems that are well under 1 MW. Because word of these difficulties has spread throughout the agriculture industry, farmers are hesitant to install biomass generators, including those farms that are large and have the economies of scale advantage. The Commission should capitalize on the advantage of environmentally beneficial renewable energy opportunities that in many cases actually use harmful waste products as fuel by moving as quickly as possible to resolve the significant

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<sup>6</sup> The *Amended Scoping Memo* (June 2008) stated: “Joint Parties seek further work on interconnection. In particular, Joint Parties seek clarification that, absent extraordinary circumstances, Commission Rule 21 controls interconnection rather than federal interconnection rules administered by the Federal Energy Regulatory Commission (FERC). This item is not included as an issue here. The Commission determined that utilities shall use the interconnection rule that applies to each particular project. Depending upon the specifics of a project, this might be Rule 21 administered by the Commission or an interconnection rule administered by FERC. (D.07 - 07 - 027, Ordering Paragraph (OP) 1, Appendix A, Item 10, p. 3.) Joint Parties essentially seek modification of this decision but provide insufficient reason.” (Amended Scoping Memo, p. 3)

problems with the current interconnection process, particularly in PG&E’s service territory, where the majority of farms with significant biomass potential are located.<sup>7</sup>

**C. The Commission Should Address Issues Related To Renewable Distributed Generation in One Docket**

Renewable distributed generation is by definition comprised of many small projects. Most of the entities looking to install small-scale renewable energy systems are not familiar with the processes at the CPUC, nor do they typically have the financial resources and expertise to participate effectively. While Sustainable Conservation is active in certain of these proceedings primarily on behalf of farmers, project developers, and food processors, there are other customer groups, such as local government and small business, which have the potential to install distributed generation. By way of example, we provide a chart of the CPUC dockets of which we are aware that are examining issues related to distributed generation.

**Table 1. Proceedings that Address Distributed Generation**

<b>Proceeding #</b>	<b>Topic(s)</b>	<b>Opportunity</b>	<b>Schedule</b>
R.10-05-004	CSI/Distributed Generation	SB 412 Implementation (technologies eligible for self-generation incentive program)	SGIP budget audit results expected Jan. 10, 2011
R.08-08-009	Renewable Distributed Energy Collaborative	CPUC staff-led process that is supposed to look at how to interconnect more renewable DG to the grid.	CPUC web site says staff draft work plan expected Q2 2010.
None yet	SB 32 Implementation	Expand existing feed-in tariff from 1.5 MW to 3 MW. May also be able to use as vehicle for altering payment structure, interconnection requirements.	Unclear.
R.10-05-006	Utility Long-Term	CPUC, utilities, CA ISO are planning how to bring	Workshop 8/24-25, 2010

<sup>7</sup> An expedited effort to address the problem could readily be undertaken by the Commission determining that the issue should be within the scope of implementation of SB 32.

<b>Proceeding #</b>	<b>Topic(s)</b>	<b>Opportunity</b>	<b>Schedule</b>
	Procurement Planning	on sufficient generation to meet 33% RPS. Opportunity to address interconnection, other problems.	
R.08-06-024	Combined Heat and Power	If CPUC is able to work around FERC order, could take advantage of that tariff.	Comments due 9/29/2010 on Petition to Modify D.09-12-042.
R.08-12-009	Smart Grid	For intermittent renewable resources, this proceeding will look at energy storage. Per SB 17, enable demand response, energy efficiency, distributed generation, storage on an equal footing as traditional.	Annual utility reports on smart grid deployment ordered in D.10-06-047 will look at many things including environmental benefits of smart grid.
R.09-10-032	Resource Adequacy	Proceeding is looking at local capacity procurement obligations for utilities and refining resource adequacy requirements.	June 2010 decision set procurement obligations for 2011 and made some refinements. Proposed Decision pending on true-up process.
A.10-08-002	Joint Utility Application for AB 32 Compliance Costs Pass-through	Increasing amount of renewable distributed generation could decrease utility costs of meeting AB 32 requirements.	Protests filed in September.
A.10-03-001	Net surplus compensation for net metering systems – implements AB 920	Ability to sell excess generation under a net metering regime (after obtaining change to rules governing participation in net metering)	Proposed Decision pending

### **III.THE COMMISSION MUST RECOGNIZE THE POTENTIAL FOR CUSTOMER GENERATORS TO PARTICIPATE IN RENEWABLE ENERGY PROGRAMS IF CONDITIONS ARE RIGHT**

The Commission must be mindful as it reviews the options for meeting Renewable Portfolio Standard (“RPS”) goals of the important role that customer generators can play, given the right circumstances. Customers, particularly commercial and industrial customers, in many cases have the opportunity to install renewable generation systems in the course of operations, to assist with industrial processes (hence we refer to them as “customer generators”). This has the additional benefit of also addressing environmental impacts from waste products. And, in many instances, the renewable electricity that is produced is baseload, which means it can be scheduled and called upon particularly during periods of peak demand.

A recent report on the potential for electricity generation from biomass in California concluded:

Gross electrical generation *potential* from biomass currently exceeds 8,700 MW with more than 2,100 MW from agriculture, 1,800 MW from forestry, and 4,800 MW from municipal wastes including landfill and sewage digester gas. The sustainable resource generation *potential* is close to 3,600 MW. By 2017, *sustainable generation potential* could exceed 6,500 MW, representing 11% of projected statewide peak power capacity.<sup>8</sup>

### **IV.THE COMMISSION MUST ENSURE THERE ARE VIABLE OPTIONS FOR SMALL, RENEWABLE GENERATORS OWNED BY CUSTOMERS**

With the RAM, the Commission is introducing yet another new program and tariff for renewable generation projects under 20 MW. The Proposed Decision presents the RAM as “an additional tool for the IOUs to reach RPS targets and goals...”<sup>9</sup> The RAM may be a viable

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<sup>8</sup> TSS Consultants, update to California Energy Commission, “An Assessment of Biomass Opportunities in California,”2007.

<sup>9</sup> Proposed Decision, p. 9.

option for large energy project developers whose primary business is development and operation of power plants, but for customers whose primary business is something else – such as farmers – the RAM bid process is too complex and does not offer sufficient price certainty to merit participation. These customers with the potential to install generating systems universally report that financing is already very hard to get and possible only by using the existing feed-in tariff price guarantee. They would have no chance of getting project financing under the RAM. If the Commission wants potential small, renewable distributed generation to succeed for farms, food processors, and small businesses, it must require utilities to offer a price certain based on the cost of the technology, not the cost of natural gas, as envisioned by SB 32.

**A. *The RAM Does Not Work for Projects that are Entitled to the Benefits of SB 32***

A deal-killer under the proposed RAM for farmers and other customers with the potential to install renewable distributed generation at their sites is they will not be able to obtain financing with this process – because there is no price certainty. Most customers do not have the ability to self-finance an electricity generating facility. Indeed, the incentives offered under the California Solar Initiative (for example) for solar photovoltaic projects are provided precisely to help customers overcome the cost of system installation. Projects such as methane digesters are expensive, usually on the order of \$2 million. In order to install them, farmers must take out a loan. Even without the current economic crisis, few banks will offer financing for a project that does not have a predictable revenue stream. The RAM does not allow the bidder to know its revenue stream until the bid process is complete. This is a non-starter: bidders must demonstrate the viability of their project in order to submit a bid, but a project will not be able to show that it can go the distance in the project development process if it does not have financing. Importantly, farm scale biomass projects are often very different than other types of energy projects. Biogas

digesters and gasifiers, for example, are custom tailored for the particular farm site and waste product to be processed. They cannot pick up the design and walk it across the street to another site. They also require extensive and onerous permitting that can take one to three years to get through the permitting process, often with equipment that they are pioneering. As such, there is more inherent engineering risk and less flexibility on where they are located.

Another example of why the RAM is unsuitable for farmers and other customers with the potential to install renewable distributed generation is the requirement on p. 65 that a bidder must demonstrate that the company and/or development team has either completed at least one project of similar technology or begun construction of at least one other similar project. This again will keep many farm customers out of the process. Farmers are not in the power generation business. They simply will not be able to make this demonstration.

Similarly, the requirements of the Proposed Decision for various deposits add cost and complexity to the bid process (pp. 111-113). Sustainable Conservation is on record against requiring any development deposit, performance deposit requirement (pp. 114-115), or performance obligation (pp. 116-117).<sup>10</sup> These requirements place additional barriers to participation because they require the farmer (or other customer installing a generation system) to obtain additional financing just to participate in the bid process. If the Commission maintains as one of its goals the provision of cost-effective electricity, why would it funnel money to bankers, instead of allowing that money to go directly to actual project installation costs?

The CEC report noted above that called out the need for a standard offer price for renewable power recommends, among other design characteristics, “Must-take provisions

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<sup>10</sup> *Comments of Sustainable Conservation on Energy Division Feed-in Tariff Proposal*, April 10, 2009, in R.08-08-009, pp. 7-9.

without pre-operational, operating performance requirements, or credit requirements (other than as needed to address queuing issues related to quantity caps and rate changes).”<sup>11</sup>

Finally, on p. 67, the Proposed Decision requires as a condition of participating in the bid evidence that the bidder has submitted an interconnection request to the utility. For reasons explored in greater detail below, this must be eliminated.

**B. *If Commission Moves Ahead With The RAM, There Are Some Good Elements In The Proposal***

As currently proposed, the RAM favors projects brought to market by well-financed developers and will not create easy opportunities for customers, such as farmers, to participate by installing systems on their property. Should the Commission proceed, however, there are some elements of the proposal that it must maintain. These include:

- ❖ Continuation of the excess sales option in the current tariff. See especially pp. 91-92 of the Proposed Decision. Customers must continue to have the ability to use energy generated at their site for their own operation, and then sell any additional energy to the utility. Farmers and other industrial operations have significant renewable fuel stock, and with the potential to sell excess energy can install systems that are sized to use that fuel.
- ❖ Only Renewable Energy Credits (“RECs”) associated with energy sold are transferred to the utility (p. 105). As stated in earlier comments and ordered in D.07-07-027, there is value to the owner of the generation in the RECs associated with the project, and that value should track with whoever is using that energy. The revenue stream from RECs is part of the cost-effectiveness calculus for a customer considering installing a generation system. We are concerned that the requirement described on

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<sup>11</sup> CEC, *Id.*, p. 2.

pp. 139-141 – that all of rated project capacity counts toward program cap, even if it is an excess sales transaction – does not comport with the requirement on RECs. Green Power Institute and others had argued that only capacity actually sold should count toward the cap. We agree. The parties are smart enough to determine both how many RECs and how much capacity is sold to the utility and counts toward the program cap as well as the RPS. Again looking at the CEC’s recommendations, its recommendation for a cost-based fixed price tariff includes the sale of bundled energy and renewable energy credits.<sup>12</sup>

- ❖ Sustainable Conservation supports the concept in pp. 80-83 of a price premium for peaking power. Renewable generation that can provide certainty because it can be scheduled, especially during periods of peak demand, should be rewarded accordingly.
- ❖ Sustainable Conservation supports the requirement on pp. 103-104 that the 1000 MW cap for this program is only for this program. Caps for other programs should be distinct, particularly because many of them were directed by the Legislature. And these other programs provide other pricing and bidding options that may be more user-friendly for small DG systems installed by customers.

## V. THE COMMISSION MUST ADDRESS THE INABILITY OF SMALL RENEWABLE GENERATORS TO INTERCONNECT WITH INVESTOR-OWNED UTILITIES IN ANY SCENARIO

The Proposed Decision on pp. 59-60 calls for a uniform tariff across the state. It directs the investor-owned utilities to start with the existing feed-in tariff. The Commission must order

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<sup>12</sup> CEC, *Id.*, p. 2.

that the utilities adopt a different interconnection process, if not for all customers, then at least for small distributed generation, particularly agriculture sites. Problems with interconnection are a key reason the current feed-in tariff has not been more heavily subscribed in the agriculture sector. Before the Commission takes any further action on programs that are intended to promote renewable distributed generation, it should fix the devastating interconnection problems that farmers and other small renewable energy generators face.

**A. *The Magnitude of the Challenge for Small Customers Cannot be Overstated***

Sustainable Conservation's role is to facilitate the adoption of technologies that improve environmental quality and make economic sense. In the agriculture industry, biomass facilities, particularly biogas digesters and farm waste gasifiers, can help farmers by providing electricity for use on site and generating revenue through sales of excess energy to the utility. For many years, we have informed the Commission of the problems the agricultural sector has had with interconnection (see, for example, comments in R.06-05-027 on implementation of AB 1969, comments in this and related dockets).

Only a few farmers have been able to interconnect with PG&E under the AB 1969 feed-in tariff. This is caused in part by specific problems those who have tried to interconnect have encountered. Below are three examples of the challenges farmers have faced:

- ❖ An organic dairy farmer wanted to upgrade an existing 75 kW methane digester that had been operating for five years under a net metering agreement with PG&E to a newer 80 kW system. It took more than 18 months for the generator brought on line. During that time, the farmer incurred costs estimated at \$144,250. The farmer also lost revenue because he was unable to use the generator on site and therefore had to purchase

electricity from PG&E, and he was unable to sell excess energy from his new engine generator.

<b>Item</b>	<b>Cost</b>
Costs for PG&E, Electrician, Engineer, Engine Set-up	\$ 133,000.00
Staff time	\$ 11, 250.00
Lost revenue – gas and electric	\$ 64,166.67
<b>TOTAL</b>	<b>\$ 208,416.67</b>

- ❖ An organic walnut farmer has been trying since November 2007 to interconnect a 50 kW generator fueled by organic walnut shells to PG&E’s system. This farm also has a 16 kw solar array that is already interconnected to PG&E under Rule 21. During these three years, the farmer has tried diligently to resolve the various problems and concerns PG&E continues to raise. He has spent many hours meeting with PG&E and spent over \$20,000 in professional fees and equipment upgrades alone, for a 50 kw system that will produce about \$40,000 of electricity per year. PG&E told the farmer that estimated fees for interconnecting the 50 kw generator under the feed-in tariff will be about \$50,000.
- ❖ A third agricultural waste facility was initially told that costs to interconnect a 500 kW biomass generator would be \$130,000. After the facility provided PG&E with requested additional information, PG&E came back with an estimate of \$1.1 million! PG&E then changed this estimate again without a change in the project.

When farmers and other customers whose primary business is something other than generating electricity hear of the problems caused by these delays and the associated costs that are incurred for interconnecting these relatively small systems, it is no surprise that they are reluctant to participate in the feed-in tariff program. And they do hear about the problems.

## **B. The Commission Must Look for Solutions Right Away**

Sustainable Conservation maintains that the current requirement in PG&E's service territory that interconnection for feed-in tariff projects occur under a tariff governed by the Federal Energy Regulatory Commission ("FERC") should be eliminated.<sup>13</sup> Sustainable Conservation has previously suggested interconnection with all the utilities should occur under Rule 21 as it does under Edison's tariff. At this point, it appears that an entirely new interconnection process may be required – one that includes accountability for the utility on the timeliness and cost of interconnection for small customers.

In other states and countries, customers are able to install a small renewable system, interconnect with the grid, and begin using and selling the excess energy in a matter of months for a reasonable cost. The Commission should review as an example the interconnection requirements used in the State of New York for distributed generators under 2 MW, whose systems will operate in parallel with the utility distribution system.<sup>14</sup> The New York process provides price certainty for a farm waste project, clear time frames, a relatively short contract, and an entire document written more or less in plain language.

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<sup>13</sup> Sustainable Conservation has advocated this since the original AB 1969 tariff was implemented in 2007. See, for example, *Joint Reply Comments of Sustainable Conservation, California Farm Bureau Federation, and RCM International on Proposed Decision of ALJ Mattson on AB 1969 Implementation*, July 23, 2007 in R.06-05-027; *Comments of Sustainable Conservation, California Farm Bureau Federation, Inland Empire Utilities Agency, Green Power Institute, and RCM International Regarding Further Implementation of Tariffs/Standard Contract for Small Customers*, August 16, 2007 in R.06-05-027; *Protest of California Farm Bureau Federation, Sustainable Conservation and Western United Dairymen to Pacific Gas and Electric Company Advice Letter 3100-E, Establishment of Schedule of Small Renewable Generator Standard Contract and Tariff for Purchase of Eligible Renewable Generation*, August 23, 2007; *Protest of PG&E Advice Letter 3100-E; Establishment of Schedule of Small Renewable Generator Standard Contract and Tariff for Purchase of Eligible Renewable Generation*, September 6, 2007; *Comments of Sustainable Conservation and California Farm Bureau Federation on draft Resolution E-4137*, December 7, 2007;

<sup>14</sup> New York State Public Service Commission, "Standardized Interconnection Requirements and Application Process for New Distributed Generators 2 MW or Less Connected in Parallel with Utility Distribution Systems," July 2010.

We offer below several specific ideas for how to improve the interconnection process for small farmers. We do not offer this as a comprehensive list, but rather a starting point to develop something that will work better for all the involved parties and bring distributed generation on line in a timely, cost-effective manner.

- ❖ The IOUs should have a dedicated farm interconnection facilitator. Right now there is no one within the utility company advocating for or helping shepherd farmers through the process. That is important because the current process is complex, technically undecipherable, procedurally “siloed,” largely discretionary, and sometimes arbitrary in application. There needs to be someone internal to the IOUs who understands that farmers (and sometimes even their consultants) are not versant on the interconnection rules, contract stipulation about the Western Renewable Energy Generation Information System, electrical engineering standards, ground fault protection mechanisms, etc.
- ❖ Utility interconnection engineers should be graded by the applicant on their performance in completing the process in a timely and appropriate manner. They would be graded much like school students (A-F) and their ratings used in their performance review. This speaks to a particular complaint from every farmer, digester engineer, and interconnection consultant with which we have spoken who has attempted to install a digester. Namely, that there are some helpful utility engineers and some who are not helpful at all.
- ❖ New York State requires there be review by the regulator periodically of the IOUs’ performance in conducting the interconnection (every six months would be good). The reviews would be performed with permit applicants present or at least invited to participate. And there should be sanctions for failing to perform well.

- ❖ Another complementary approach is to require that the interconnection be completed within 6 months. Failure to do so would result in a penalty or some other recourse. The intent is to encourage the IOUs to work with the interconnection engineer as a partner when there are barriers or where they cannot figure out how to resolve contradictory requirements demanded by the IOU engineers (where they may have as many as four different engineers assigned due to turnover).

## **VI. CONCLUSION**

The RAM will not serve the needs of customer-generators who have the potential to install small, renewable, distributed generation systems. Sustainable Conservation therefore recommends that it not be applied to customer generators under 3 MW. Instead Sustainable Conservation advocates for the Commission immediately focusing on implementing SB 32, and fixing the glaring problems with interconnection.

Respectfully submitted,



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September 27, 2010

## VERIFICATION

I am the representative for the applicant herein; said applicant is absent from the County of Alameda, California, where I have my office, and I make this verification for said applicant for that reason; the statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed September 27, 2010, at Oakland, California.

A handwritten signature in blue ink that reads "Jody London". The signature is written in a cursive style with a long horizontal flourish extending to the right.

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Jody London  
FOR Sustainable Conservation

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “Comments of Sustainable Conservation on Proposed Decision Adopting the Renewable Auction Mechanism” on all known parties of record in R.08-08-009 by transmitting an e-mail message with the document attached to each party named in the official service list, and by serving a hard copy on the Administrative Law Judge.

Executed on October 1, 2010.

A handwritten signature in blue ink that reads "Jody S. London". The signature is written in a cursive style with a long horizontal flourish at the end.

Jody S. London

For SUSTAINABLE CONSERVATION  
P.O. Box 3629  
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